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Weekly Contributions  
Latin America Division, ORE, CIA  
29 November 1949

CURRENT DEVELOPMENTS

NORTHERN AREA: In Martinique, recent election results show a decline in Communist influence (p. 2).

CENTRAL AREA: Brazil is reported to have obtained permission from the International Monetary Fund to withdraw \$22.5 million (p. 2). In Brazil, the resignation of party leader Nereu Ramos may split the government party (p. 3). In Venezuela, Communist influence may increase in oil workers' syndicates (p. 3).

SOUTHERN AREA: Peru's government has offered Communists a "non-aggression" pact (p. 4).

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1. MARTINIQUE: Communists Lose Popular Majority

In the 2 October General Council (legislature) elections in Martinique, the Communists polled 40% of the popular vote and elected 10 of the 36 Councilors as opposed to 67% of the vote and 15 seats in the previous (1945) elections. While the election results indicate that the Communists are still a potent force, they also demonstrate the gradual but steady decline in Communist strength in Martinique during the past two years (see D/IA Wkly 26 Jul 49).

The election results can be attributed in large measure to the fact that Communists have not participated in metropolitan French Governments for some time. This fact has enabled the pro-Socialist French Préfet to weaken the Communists' position by re-apportioning the electoral cantons in a manner decidedly unfavorable to the Communists, by suppressing their attempts at strong-arm methods of influencing the electorate, and by effecting an anti-Communist coalition among the formerly mutually antagonistic non-Communist splinter parties. Further, the Communists came before the electorate virtually empty-handed, while their opponents could point to such benefits as the French National Assembly's recent extension of full social security to the overseas departments. An additional factor in the Communists' decline undoubtedly was the direct intervention in the campaign, for the first time in many years, of the Roman Catholic Church which reminded "its faithful" that those who favor Communism may not be admitted to the sacraments.

The elections are not a completely accurate index of Communist political strength inasmuch as the total vote represents only about one-half of the number of registered voters, and because fraudulent electoral practices are prevalent. It is apparent, however, that even though the present trend could be reversed rapidly by the renewed participation of Communists in the metropolitan Government, Communist influence in Martinique is on the decline at least for the present.

2. BRAZIL: The International Monetary Fund grants Brazil permission to draw US\$22.5 million, according to the press. This money will be allocated to the payment of Brazil's commercial backlog, which is estimated to be in excess of US\$100 million. D/IA estimates that, with the aid of this loan, the increased income of dollars because of the current high price of coffee (which is expected to remain high for at least one to two more years), and continued strict adherence to the import-export regulations, Brazil should be able, by January, to place much of its commercial debt payments on a current basis. D/IA estimates further that this improved financial condition will enable Brazil to relax its controls on imports from dollar countries during the second half of 1950.

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3. A serious split in the government party may result from the resignation of Nereu Ramos as leader of the Partido Social Democrático (PSD). Ramos, who had hoped to receive the government nomination as presidential candidate, resigned when the party directorate decided to select its candidate from a list of four Minas Gerais PSD leaders, a solution believed to be agreeable to the União Democrática Nacional (UDN) and the Partido Republicano (PR). The "Minas solution" was the one advocated by President Dutra (who has consistently urged his party to join with the UDN and the PR in the selection of a joint candidate) despite the opposition of the pro-Vargas wing of the Party led by Ramos. Since the pro-Vargas faction is still strong, Ramos' resignation may lead to a serious split in the party which would redound to the benefit of the principal non-government candidate, Governor Adhemar de Barros of São Paulo. If Governor Barros actually has an electoral agreement with Getulio Vargas (as he has privately asserted to a US official), it is even possible that the disgruntled Ramos may take his followers into Barros' camp, a development that could well insure the election of the very candidate against whom the government coalition is aimed.

4. VENEZUELA: Possibility of Increasing Communist Influence in Petroleum Workers' Syndicates

The former Acción Democrática-controlled, or "blue", petroleum workers' syndicates in Lagunillas, San Lorenzo, and Mene Grande (Western Venezuela) have given increasing evidence of willingness to collaborate with the Communist "red" unions, a CIA source reports. The "red" and "blue" syndicates in this area have been jointly presenting claims to the oil companies, and on 7 October 1949 the Unión de Obreros y Empleados Petroleros (UOEP) and the Sindicato de Trabajadores Petroleros (STP), "blue" and "red" unions respectively of Lagunillas, issued a joint manifesto attacking the Unión Republicana Democrática (URD) party, which is currently attempting to establish a third syndicate in the area.

Until recently, the "blue" syndicates have resisted Communist pressure for collaboration, but now two factors appear to be drawing the "blue" syndicates closer to the Communists. The threat of a third union in the area sponsored by the URD party offers ample justification for collaboration. Secondly, the collective labor contracts now in force call for discussions of wage scales, salaries, and commissary agreements in February 1950. In such discussions, the "blue" syndicates will be at a distinct disadvantage because they have been permitted to function only as local units since the abolition of their federation last February. Lacking the strong bargaining position inherent in a federation of their own, the "blue" syndicates may find it expedient, if not necessary, to work with the only existing petroleum federation, the Communist Comité Sindical Unitario de Trabajadores Petroleros de Venezuela (COSUTRAPET).

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Evidence of a tendency towards cooperation has thus far been limited to areas where the "red" and "blue" unions have roughly equal membership. It is probable that in such areas as Tia Juana and Cabimas, where the strength of the "blue" unions is preponderant, a more independent position will be maintained. D/LA estimates that, unless the government permits the "blue" unions to reorganize a federation of their own, these unions will find it necessary to collaborate increasingly with the Communist unions, thereby facilitating the realization of syndical unity which would greatly widen the scope of potential Communist influence.

5. PERU: Government Offer to Communists

The Odria regime has secretly offered Peruvian Communists a "non-aggression" pact, providing for tolerance of Communist activities, although not for legalization of their party, in exchange for covert Communist support for the military junta. Negotiations have not advanced very far, because the orthodox Communist group is very doubtful of the government's good faith.

While this offer illustrates the opportunistic character of the Odria regime and raises a serious question regarding the extent to which Odria would be a reliable ally of the US, it must also be recognized that the present Peruvian government rightly regards APRA as its most important domestic enemy against which all support is welcome. The fact that Peruvian Communists at this time do not represent any considerable threat to US security interests is also a circumstance that makes the government offer less significant than it otherwise might have been. Thus, D/LA finds that the truce offer is essentially a reflection of the junta's immediate need for popular backing, significant mainly in the local, rather than in the international, setting. D/LA estimates that, despite possible improvement in the Party's position, Peruvian Communism will not become dangerous within the short term; any increase in the Communist potential, however, could very well be of serious concern to US security interests in the longer term.

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The Current Situation in Uruguay

(Summary -- The Batlle Berres government remains stable. The country's economic position has improved since the mid-year slump. The armed forces continue to support the government. Communists continue to exert more influence among intellectual groups than among the masses. There has been no significant change in Uruguay's relations with other countries.

-- None of the current developments in Uruguay adversely affects US security interests.)

Political

The Batlle Berres government remains stable despite strong pressures and various criticisms leveled against it quite consistently by the Herrerista opposition party and occasionally by the minority groups of the Colorado party. Cabinet resignations, some provoked by Herrerista censure and others by Colorado factions' maneuverings, have been numerous. Six out of nine ministers have resigned within six months. Criticisms from many quarters concerning the government's economic and financial - as well as political - policies created an atmosphere of slight uneasiness and dissatisfaction which was relieved only recently when general economic conditions began to show some improvement. Pressures and criticisms are certain to continue to an increasing degree as part of the pre-election maneuverings. Although the elections will not take place until November, 1950, evidence of political tension is already discernible and may be expected to increase progressively during the coming year. The stability of the present administration, however, will not be seriously affected by such activities, which are considered normal political maneuverings.

Economic

Uruguay's economic position has improved considerably since a mid-year slump. The market for wool, the country's most important source of dollar exchange, is again active after mid-year sluggishness which had caused concern. The sales of meat, next in importance to wool as a source of income, are maintaining a satisfactory level. Basic exports have not been affected by a modification of the exchange system, which occurred after Great Britain and Argentina had devalued; only a few secondary exports are affected, their competitive position having been improved by their having been assigned a more favorable exchange rate in the multiple-rate system.

In general, the economic outlook for the intermediate term is favorable. Uruguayan exports will probably continue at the present satisfactory level during the remainder of the calendar year but the total value of exports

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for the year 1949 is expected to be ten percent less than in 1948. As a result, Uruguay will probably have a deficit in its balance of international payments for 1949. This was not unexpected, however, and current favorable developments may, at the end of the year, be found to have reduced the amount of the deficit to a point lower than that for 1948. Prospects for wool sales are good, and a new meat contract with Great Britain assures Uruguay of a share of that market at prices equivalent to those paid Argentina. The market for hides and skins has been strengthened by increasing sales to France and Germany, who were important customers before the war. Uruguay's economic controls should help to improve the general economic situation as they have limited imports from dollar areas and at the same time have encouraged sales to sterling areas. A strict system of quantitative controls will probably keep imports from the US to the desired level during the remainder of 1949 while a series of trade agreements with Sweden, Italy, and Western Germany, added to a long list of previous agreements, should facilitate commerce with those areas.

#### Military

The Uruguayan armed forces continue to support the government. There is no evidence of army participation in politics or of any plans by the military to overthrow the Batlle Berres government.

#### Subversive

Communists continue to exert more influence among intellectual groups than among the masses. They have sent delegates to all important international Communist congresses but have been forced — for financial reasons — to postpone for the fourth time their national congress. It is doubtful that the congress will be held in late November as scheduled.

#### International

There has been no significant change in Uruguay's relations with other countries. In general the government's friendly attitude toward the US prevails despite the annoyances and embarrassment caused by the last-minute awarding of a substantial meat contract to Argentina, the closing of the US Naval Attaché office in Montevideo, and the curtailment of US Military Attaché activities and personnel. Participation in UN activities has generally followed the US line, and the US-Uruguay Treaty of Friendship, Commerce and Economic Development was finally signed. Relations with Argentina are somewhat strained but have shown signs of improvement in recent months.

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The Current Inter-American Situation

(Summary -- There have been no significant recent developments in intra-Hemisphere organizational affairs. The machinery of OAS and of recent inter-American treaties for the maintenance of the peace of the Hemisphere has been tested, but not to the extent necessary to provide a clear-cut indication of their effectiveness. Ill feeling exists among several Latin American countries which, in some cases, has even involved the severance of diplomatic relations. Generally speaking, countries in Latin America continue to support US policies in world affairs, although they are disappointed by what they consider US neglect of the economic needs of the Western Hemisphere.

-- Inter-American solidarity has, if anything, deteriorated recently; other US security interests, however, are not seriously affected.)

Intra-Hemisphere Issues

OAS and inter-American treaties: The only recent development of note within OAS has been the minor incident caused by the public statement of its Secretary General, Dr. Alberto Lleras Camargo, deplored the disturbing political situation existing in his native country, Colombia. Despite considerable activity by the OAS since its creation at Bogotá in 1948, the Charter remains unratified by the great majority of American states (Mexico, Costa Rica, and the Dominican Republic are the only ones which have deposited ratification), and activities are carried on by virtue of Res. XL of the Final Act of Bogotá which provided for the provisional functioning of the Charter until its ratification had been completed.

The Treaty of Reciprocal Assistance of 1947 (Rio Treaty) has been ratified by sixteen American nations and has been in force since December 1948; it was invoked during the same month by Costa Rica in its dispute with Nicaragua. The American Treaty on Pacific Settlement of Disputes of 1948 (Pact of Bogotá) has been ratified by only Mexico and Costa Rica, but Nicaragua has agreed to be bound by it in any dispute with Costa Rica as a result of the Pact of Friendship between the two countries signed 21 February 1949.

The failure of five nations (Argentina, Bolivia, Ecuador, Guatemala, and Peru) to ratify the Rio Treaty weakens its effectiveness, and these states, with the possible exception of Ecuador, have given little evidence

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of intent to ratify in the near future. The failure on the part of the great majority of American states, including the US, to deposit their ratifications of the Pact of Bogotá made certain members of OAS reluctant to use it in the most recent Costa Rican-Nicaraguan controversy. As a result, neither the invocation of the Rio Treaty nor the attempted invocation of the Pact of Bogotá demonstrated any great strength on the part of our inter-American machinery, and US security, to the extent that it depends upon this machinery for unity in the Western Hemisphere, will continue to be vulnerable in the event of future disturbances.

Relations among American states: Revolutionary changes in government or charges of intervention in internal affairs made by some nations against others have caused strained relations between certain members of OAS, and in some cases even diplomatic breaks. Panama has not been recognized by the US; Colombia has not resumed normal relations with Paraguay; Bolivia, Chile, Guatemala, and Uruguay have not recognized the Venezuelan Junta; Costa Rica, Cuba, Guatemala, and Uruguay have not accepted the legitimacy of the Peruvian military government; and Bolivia, Chile, and Uruguay have not restored to normalcy their diplomatic relations with El Salvador since the recent revolution. The whole atmosphere of tension existing in the Caribbean — of which the disputes between Costa Rica and Nicaragua and between Haiti and the Dominican Republic have been symptomatic — has also resulted in ruptured or strained diplomatic relations between the Dominican Republic and four of its neighbors, Costa Rica, Cuba, Guatemala, and Haiti, as well as between Guatemala and Nicaragua.

This situation has created a decided breach in Western Hemisphere solidarity and has weakened the US security position in the area. Many of these countries feel that the US policy of recognition of governments which have come into being through force is not in accordance with the traditional US policy of encouraging democracy in the Hemisphere.

Extra-Hemisphere Issues

UN and specialized agencies: Generally speaking, Latin American countries continue to support US policies in the UN when issues hinge on some aspect of the East-West struggle; however, in other matters, these countries often agree in their caucus to sponsor a program which may not in every instance accord with the position assumed by the US. For example, on the question of the disposition of the Italian colonies, the Latin American countries formed an effective bloc and managed to get some of their views accepted in the UN. Their interest in and sympathy for

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colonial peoples have made them more outspoken than the US in the Trusteeship Committee; this sometimes embarrasses the US in its relations with Western European colonial powers. These differences between the US and Latin America, however, do not appreciably impair US security.

Latin American nations have been very interested in the work of the specialized agencies of the UN because they hope to obtain help from these organizations in developing their economies. They have, however, taken issue with the US on certain economic matters dealt with by these agencies. These countries want to industrialize and feel that they cannot do this unless it is possible to protect industry in its embryonic state; therefore, the majority of Latin American countries have not supported the US in its campaign to lower trade barriers. This division of opinion on the approach to a vital world economic problem, coupled with the failure of the US to make extensive loans to Latin America in the postwar period, and the consequence of that failure in terms of Latin American attitudes toward the US, will continue to obstruct the full realization of US international economic policy objectives during the coming months.

Relations with nations outside the Western Hemisphere: Spain: At the third session of the UNCA, Bolivia, Colombia, Brazil, and Peru joined to sponsor a resolution to allow full freedom of action as regards diplomatic relations with Spain. Although the GA did not adopt this resolution, Brazil and Peru have resumed their normal diplomatic relations with Spain. Others, such as Argentina, Bolivia, the Dominican Republic, El Salvador, Honduras, Nicaragua, Paraguay, and Venezuela, either had normal relations or had completed preparations for a return to normalcy before the vote in the GA. Venezuela has not actually sent an ambassador as yet. In this matter, Latin American countries took the lead rather than waiting for the US. US security interests, however, are not affected.

USSR: At the present time, only Argentina, Cuba, Mexico, Uruguay, and Venezuela have representatives in Moscow, although some of the smaller countries have technical diplomatic relations. Brazil, Chile, and Colombia, which broke with the USSR within the past two years, have taken no steps to renew relations. None of the Latin American countries, however, is expected to exploit its relations with the USSR in such a way as to impair US security interests.

Support of important US foreign policies: The vast majority of Latin American nations continues to stand behind the US in its cold war with the USSR and to support ECA and the Atlantic Pact. While they realize that Europe and Asia are much more crucial in the East-West struggle, they still

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are of the opinion that the US should give more consideration, especially along economic lines, to its neighbors in the Hemisphere since it is to the interest of the US that a politically democratic and economically sound Latin America exist. Such attitudes on the part of Latin America weaken our intra-Hemispheric policies and US security in that area.

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